

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 372 - HB 497

March 6, 2017

SUMMARY OF BILL: Defines “short-term rental listing service” as a business that facilitates or arranges the renting of at least one short-term rental unit, whether through the listing of short-term rental units on a website or through other means, but does not include any business in which the primary function is ownership or marketing of a bed and breakfast establishment as defined by Tenn. Code Ann. § 62-13-104(b). Defines “short-term rental provider” as a person who receives payment for owning or operating a short-term rental unit from the short-term rental listing service and does not include vacation lodging services as defined by Tenn. Code Ann. § 62-13-104(b).

States that a short-term rental provider is subject to all state and local occupancy tax, sales tax, and other applicable taxes and fees on the amount paid by the overnight transient customer. Requires a short-term rental listing service to collect and remit appropriate state and local taxes for short-term rental providers using such short-term rental listing services.

Increases, from 14 to 30, the maximum number of days a business providing the services of management, marketing, booking and rental of residential units owned by others may provide sleeping accommodations furnished for pay to be considered a vacation lodging service.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$769,300/Recurring

**Increase State Expenditures – \$3,200/One-Time
\$145,700/Recurring**

Increase Local Revenue - \$827,100/Recurring

Assumptions:

- The following assumptions are based on the New York State Attorney General 2014 report (Airbnb in the city), and the Department of Revenue’s search of Airbnb’s website for rentals in Tennessee.
- It is estimated that there are approximately 9,000 short-term rentals available each year in Tennessee.

- The fiscal analysis focuses on Airbnb rentals as it is estimated that applicable taxes are charged on most of the other platforms offering short-term rentals.
- An average property listing is assumed to be reserved 14 times per year, for a total of 126,000 reservations in Tennessee (9,000 x 14).
- The average consideration charged per reservation is estimated to be \$362.
- The total statewide consideration charged is estimated to be \$45,612,000 (126,000 x \$362).
- The current sales tax rate is 7.0 percent; the local option sales tax is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent; the average local hotel occupancy tax is estimated to be 4.5 percent.
- It is estimated that approximately 75 percent of sales and occupancy taxes are currently being collected; therefore, 25 percent of the sales taxes remain uncollected.
- The total recurring increase in state sales tax revenue is estimated to be \$769,339 $[(\$45,612,000 \times 7.0\% \times 25.0\%) - (\$45,612,000 \times 7.0\% \times 3.617\% \times 25.0\%)]$.
- The recurring increase in local sales tax revenue is estimated to be \$313,946 $[(\$45,612,000 \times 2.5\% \times 25.0\%) + (\$45,612,000 \times 7.0\% \times 3.617\% \times 25.0\%)]$.
- The recurring increase in local hotel occupancy tax revenue is estimated to be \$513,135 $[(\$45,612,000 \times 4.5\% \times 25.0\%)]$.
- The total recurring increase in local tax revenue is estimated to be in \$827,081 $(\$313,946 + \$513,135)$.
- According to DOR, an additional Tax Auditor 3 position and an additional Taxpayer Services Rep 3 will be necessary to process and audit additional tax filings required by this proposed legislation.
- A recurring increase in state expenditures of \$145,708 (\$116,117 salaries + \$26,191 benefits + \$2,800 communications + \$600 supplies).
- There will be a one-time increase in state expenditures for these positions of \$3,200.
- Pursuant to Tenn. Code Ann. §62-13-104(b)(2), a vacation lodging service is required to have a vacation lodging service firm license filed in the Office of the Real Estate Commission.
- Based on information provided by the Department of Commerce and Insurance, this legislation will have no fiscal impact on the Division of Regulatory Boards. Pursuant to Tenn. Code Ann. §4-29-121, all regulatory boards are required to be self-sufficient.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- Imposition of state and local taxes is not anticipated to significantly impact the number of annual nightly rentals in the state.
- All sales taxes and hotel occupancy taxes are paid by transients; not business owners.

- Any impact on private sector jobs is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj